



## Legislative Fiscal Bureau

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TO: Members  
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: 2009-11 and 2011-13 General Fund Budget Under 2009 Act 28

At the request of a number of legislators, this memorandum provides information on the condition of the general fund for the 2009-11 and 2011-13 biennia under the 2009-11 state budget (2009 Act 28). The 2011-13 portion of the memorandum reflects provisions of Act 28 and funding commitments contained in current law. It should be noted that the figures shown throughout this memorandum are in millions. Table 1 displays the 2009-11 general fund condition statement of Act 28.

**TABLE 1**

### General Fund Condition Statement

	<u>2009-10</u>	<u>2010-11</u>
<b>Revenues</b>		
Opening Balance, July 1	\$70	\$368
Estimated Taxes	12,346	12,883
Departmental Revenues		
Tribal Gaming Revenues	19	23
Other	<u>812</u>	<u>790</u>
Total Available	\$13,247	\$14,064
<b>Appropriations and Reserves</b>		
Gross Appropriations	\$13,424	\$14,105
Compensation Reserves	47	96
Less Lapses	<u>-592</u>	<u>-412</u>
Net Appropriations	\$12,879	\$13,789
<b>Balances</b>		
Gross Balance	\$368	\$275
Less Required Statutory Balance	<u>-65</u>	<u>-65</u>
Net Balance, June 30	\$303	\$210

As shown in Table 1, the gross balance at the end of the 2009-11 biennium is estimated to be \$275 million. Act 28 would set the required statutory balance at \$65 million for 2010-11. Thus, the net balance at the end of the biennium would be \$210 million.

## **Structural Balance**

The structure of the budget is typically referred to as the relationship between revenues and appropriations in a given fiscal year. For example, if revenues raised in a fiscal year exceed appropriations, the budget is deemed to be in structural balance. Imbalance occurs when appropriations exceed revenues for a fiscal period.

In analyzing the structure of the state's budget, attention usually focuses on the second year of the biennium. This is because the next biennial budget is based upon the second year, or "base year" of the previous biennium. Table 2 focuses only on the 2010-11 fiscal year.

**TABLE 2**  
**2010-11 General Fund Condition Statement**

Opening Balance	\$368
Revenues (Taxes and Departmental Revenues)	<u>13,696</u>
Total Available	\$14,064
Net Appropriations	\$13,789
Gross Balance	\$275

Table 3 addresses the structure of the general fund budget. To do so, only the revenues, net appropriations, and the difference between the two is shown. Thus, Table 3 ignores the opening balance and focuses only on the revenues and net appropriations for the 12 months of the fiscal year.

**TABLE 3**  
**2010-11 Fiscal Year Balance of Revenues and Expenditures**

Revenues	\$13,696
Net Appropriations	<u>13,789</u>
Difference	-\$93

Table 3 indicates that net appropriations exceed revenues by \$93 million. Thus, the structure of the general fund shows a balance of -\$93 million. The -\$93 million becomes \$275 million when the \$368 million opening balance is considered. However, Table 3 focuses only on the revenues and net appropriations of the 12-month period (July, 2010, through June, 2011).

## **2011-13 General Fund Commitments**

Table 4 shows estimated 2011-13 general fund commitments. This table reflects estimated increases or decreases of various items for each year of the 2011-13 biennium as a change to base year (2010-11) revenues and net appropriations.

**TABLE 4**

**2011-13 General Fund Commitments  
(2009 Act 28 and Current Law)  
(In Millions)**

	<u>2011-12</u>	<u>2012-13</u>
<b>Revenues (Taxes and Departmental Revenues)</b>		
2010-11 Base Revenues	\$13,696	\$13,696
Modifications to Base		
Restore estate tax in 2011	\$94	\$125
Reduction in <u>Menasha</u> refunds	8	17
Combined reporting/add backs	23	2
Airport development zones	1	2
Sunset livestock farm investment credit	0	2
2007 Act 20 lapse/transfer	-100	-100
2009 AB 75 lapse/transfer	-164	-164
2009 Act 2 lapse/transfer	-43	-43
Petroleum inspection fund transfer	-9	-9
Capital gains deferral on QNBVs	-14	-14
Expand angel investment tax credit	-13	-13
Sales tax exemption for biotechnology	-7	-13
Electronic medical records credit	-5	-10
Expand early stage seed credit	-6	-6
R&D credit	-5	-5
IRC update	6	6
AgChem transfers	-1	-2
2005 Act 25 insurance deduction	-8	-8
2007 Act 20 insurance deduction	-22	-56
2007 Act 20 child care deduction	-6	-5
Delay community rehabilitation credit	-3	-3
Delay alternative energy sales tax exemption	-1	-1
Delay biodiesel tax credit	-1	-2
New development opportunity zones	-2	-2
Recycling fund transfers	<u>-15</u>	<u>-15</u>
Subtotal -- Modifications	-\$293	-\$317
<b>Total</b>	<b>\$13,403</b>	<b>\$13,379</b>

	<u>2011-12</u>	<u>2012-13</u>
<b>Net Appropriations</b>		
2010-11 Base	\$13,789	\$13,789
Modifications to Base		
Medical assistance base -- replace enhanced FMAP	\$314	\$314
SeniorCare base -- replace enhanced FMAP	3	3
Debt service increases	61	64
Transportation replacement bond debt service	10	15
Delete commercial paper lapses	57	57
Restructuring bond debt service	43	43
Delete restructuring lapses	35	35
First dollar credit increase	5	5
Shared revenue -- replace stimulus funds	76	76
Delete covenant lapse	25	25
Child care -- replace stimulus funds	15	15
Child support incentive match payment	5	5
Subsidized jobs -- EITC	2	2
Governor, Court, Legislature lapse	10	10
Jobs tax credit	5	10
Foster care and adoption assistance -- replace enhanced FMAP	5	5
Student financial aid	4	7
Female inmate treatment center	6	6
Index homestead tax credit	1	2
Beginning farmer credit	1	1
Public benefits fee/DAs	9	9
Youth aids	6	6
SPD private bar	2	2
UW System base restoration	14	14
Children's long-term support program	4	4
Independent living centers	1	1
Independent charter schools	2	4
Engineering grants	0	-2
Community health/poison control	1	1
TANF emergency contingency funds	<u>1</u>	<u>1</u>
Subtotal -- Modifications	\$723	\$740
Total	\$14,512	\$14,529

As shown above, Table 4 includes additional revenues of \$94 million in 2011-12 and \$125 million in 2012-13 related to restoration of the estate tax for deaths occurring on or after January 1, 2011. This assumes that the current federal estate tax provisions, which will restore the federal credit for state death taxes beginning in 2011, will not be modified. If federal law is modified to retain the current deduction (rather than credit) for state death taxes, or to permanently eliminate the federal estate tax, these additional state revenues would not be realized.

Table 5 places the figures from Table 4 into condition statement format for the 2011-13 biennium. It is important to note that the amounts shown in Tables 4 and 5 represent current law

commitments and the provisions of Act 28. No assumptions are made about growth in caseload and population estimates or for such items as state employee compensation in the 2011-13 biennium. Also, the figures in Table 5 are displayed for the purpose of examining base revenues and appropriations, adjusted for 2011-13 commitments. The table does not reflect any potential revenue growth or other appropriation changes.

**TABLE 5**

**2011-13 General Fund Condition Statement**

	<u>2011-12</u>	<u>2012-13</u>
Opening Balance	\$275	\$65
Revenues	<u>13,403</u>	<u>13,379</u>
Total Available	\$13,678	\$13,444
Net Appropriations	\$14,512	\$14,529
Required Statutory Balance*	<u>65</u>	<u>65</u>
Total	\$14,577	\$14,594
Amount Needed	\$899	\$1,150

\*For 2011-12 and 2012-13, Act 28 would set the required statutory balance at \$65 million.

Table 5 shows that, for 2011-12, the general fund would need to generate \$899 million in order to meet current commitments and those of Act 28, maintain the required statutory balance, and balance the budget for that year. In 2012-13, \$1,150 million (\$251 million over the \$899 million in 2011-12) would need to be realized. These amounts could be generated by revenue increases (growth or tax increases), appropriation reductions, or some combination of the two.

Over the past several biennia, this office has prepared information that estimates the general fund amount necessary in each year of the ensuing biennium to produce a balanced budget. Similar to the exercise in this memorandum, the amounts were calculated by comparing base year revenue and expenditure amounts, adjusted for fiscal commitments that had been made that will affect the next biennium.

The following table lists the estimated general fund amounts necessary to produce a balanced budget for 2011-13 and the seven preceding biennia. The figures for the 1997-99 through 2009-11 biennia were typically prepared at the conclusion of each legislative session.

**TABLE 6****General Fund Amounts Necessary for a Balanced Budget**

	In Millions		
	<u>1<sup>st</sup> Year</u>	<u>2<sup>nd</sup> Year</u>	<u>Total</u>
For the 2011-13 Biennium (2009 Act 28)	\$899	\$1,150	\$2,049
For the 2011-13 Biennium (Conference Committee)	1,182	1,223	2,405
For the 2011-13 Biennium (Senate)	1,211	1,249	2,460
For the 2011-13 Biennium (Assembly)	1,117	1,161	2,278
For the 2011-13 Biennium (Joint Finance)	1,107	1,151	2,258
For the 2011-13 Biennium (Governor)	713	861	1,574
For the 2009-11 Biennium	800	882	1,682
For the 2007-09 Biennium	653	846	1,499
For the 2005-07 Biennium	701	845	1,546
For the 2003-05 Biennium	1,340	1,527	2,867
For the 2001-03 Biennium	693	1,026	1,719
For the 1999-01 Biennium	589	914	1,503
For the 1997-99 Biennium	624	908	1,532

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